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Briefing Report to the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, U.S. Senate

November 1988

FEDERAL BUILDINGS

COMPLETED 13

Status of Construction of the Joseph P. Addabbo Building in Queens, New York

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November 17, 1988

The Honorable David Pryor
Chairman, Subcommittee
on Federal Services, Post Office,
and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Senator Pryor:

On November 9, 1987, you requested that we examine various concerns regarding the General Services Administration's (GSA) management of the construction of the Joseph P. Addabbo Social Security Building in Queens, New York. On February 12, 1988, we briefed the Subcommittee on our initial findings. We agreed to conclude the assignment with a briefing report summarizing the information presented in the briefing, supplemented with additional information requested by the Subcommittee. We also agreed to continue monitoring the project and to alert you if any significant problems arise before the building is completed and occupied.

OBJECTIVES, SCOPE, AND METHODOLOGY

As requested, this briefing report provides information on

-- background of the construction project,

-- GSA's management of the selection process for the architect-engineer and the general contractor,

-- problems and current status of the project,

-- actions taken by GSA to ensure project completion, and

-- status of the civil and criminal investigations involving the project.

We obtained the information from GSA and Department of Justice officials and from documents associated with the project. In addition we reviewed practices and regulations to ensure that appropriate procedures were followed.

The information is summarized below and presented in more detail in the appendix.

BACKGROUND

In 1980, the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation approved resolutions authorizing GSA to construct a federal office building in Jamaica, Queens, New York, at a cost of $92,765,000. The project was justified by GSA on the basis that the building would allow the Social Security Administration (SSA) to consolidate offices currently located in four separate buildings. The building is to house SSA's Northeastern Program Service Center and will be named after the late Congressman Joseph P. Addabbo, who first suggested the need for its construction. The 11-story and 964,000 square foot building will house approximately 3,000 federal employees.

RESULTS IN BRIEF

GSA selections of the architect-engineer and the general contractor were carried out in accordance with standard government practices and requirements.

Planned completion of the project has been delayed by over 2 years. A 299-day delay was caused by unforeseen work to shore up and brace the building site. This led to additional delays, including problems with the brickwork and shortages of construction workers.

In March 1987, the Subcommittee on Water Resources, Transportation and Infrastructure, Senate Committee on Environment and Public Works, held a field hearing on the problems and delays in completing construction of the building. At the hearing, GSA officials described their efforts to complete the building. GSA efforts included closer and more frequent scrutiny of the project by central and regional office officials, additional GSA staff at the building site, and appointment of a full-time project manager.

On September 27, 1988, GSA officials advised us that the contractor had set the target date for substantial completion of the project at November 25, 1988, with SSA to move in after the first of the year, contingent upon further overtime being authorized. Without this overtime, the contractor felt completion would not occur before February or March, 1989.

There have been civil and criminal investigations of the project. The criminal investigation of potentially fraudulent claims was closed without prosecution. The civil investigation of potential liability for the costs of bracing and shoring the building site was still pending as of September 30, 1988. According to a GSA official, the general contractor has estimated that the total impact of the design changes and the delays exceeds $23 million. GSA officials advised us that they plan to negotiate this amount with the contractor.

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A draft of this briefing report was discussed with GSA's New York Regional Administrator, who concurred in our findings and conclusions, and whose comments were incorporated in the report. As arranged with the Subcommittee, we are sending copies of this briefing report to the Administrator of GSA; Senator Daniel P. Moynihan, Chairman of the Senate Environment and Public Works Subcommittee on Water Resources, Transportation, and Infrastructure, which held last year's hearings on the project; and other interested parties.

As you requested, we will continue to monitor progress of the project and let you know if significant changes occur either in the completion date or the date SSA plans to occupy the building. The major contributors to this briefing report are listed in appendix II.

Sincerely yours,

Mary R. Hamilton

Mary R. Hamilton
Regional Manager

DELAYS IN CONSTRUCTING THE JOSEPH P. ADDABBO SOCIAL SECURITY BUILDING IN JAMAICA, QUEENS, NEW YORK

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairman of the Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs, expressed concerns regarding delays in the construction of the Joseph P. Addabbo Social Security Building in Jamaica, Queens, New York. To address these concerns, the Subcommittee requested that we provide information on

-- background of the construction project,

-- GSA's management of the selection process for the architect-engineer and the general contractor,

-- problems and current status of the project,

-- actions taken by GSA to ensure project completion, and

-- status of the civil and criminal investigations involving the project.

We met with GSA's New York Regional Administrator and members of his staff and the staff of the GSA Inspector General in New York to discuss the project and review relevant documents. We obtained documentation from the GSA construction files on the selection of the architect-engineer and the general contractor. We reviewed federal procurement regulations to determine compliance with the requirements. We also interviewed GSA officials regarding problems encountered, current status, and actions taken to expedite completion of the building.

We visited the construction site on August 25, 1988, when the project was estimated by GSA to be about 94 percent complete. At that time we toured the 11 floors of the building and discussed with GSA officials, including the Regional Administrator, the current status of the project.

We also interviewed an official of the U.S. Attorney's Office for the Eastern District of New York regarding the status of a civil investigation and obtained documentation from the Federal Bureau of Investigation (FBI) on the status of a criminal investigation related to the project.

Our work was done between December 1987 and September 1988, in accordance with generally accepted government auditing standards.

BACKGROUND

In 1969, Congressman Joseph P. Addabbo first suggested the need for a new SSA office building in Queens, New York. In 1978, at the urging of Senator Daniel P. Moynihan, the Senate Environment and Public Works Committee requested a project feasibility report from GSA. GSA prepared the report which concluded that the project was feasible. Funding for the project was authorized at a cost of $92,765,000 by the House Committee on Public Works and Transportation and the Senate Committee on Environment and Public Works on April 2 and May 8, 1980, respectively.[1]

On September 27, 1988, GSA officials said the general contractor had set November 25, 1988, as the target date for substantial completion, with SSA to move in after the first of the year. GSA added that the contractor said that the November 25 date was contingent upon further overtime being authorized. Unless the overtime was authorized, the contractor felt the completion would not occur before February or March 1989.

GSA'S SELECTION OF THE ARCHITECT-ENGINEER

GSA followed the Federal Acquisition Regulation and its own policies and procedures in awarding the architect-engineering contract. The committees' resolutions authorizing the project directed the Administrator of GSA to hold a design competition to select an architect-engineer for the Addabbo Building. GSA's Region Two advertised the competition in the Commerce Business Daily, calling for information on bidders' qualifications and prior experience. Submissions were received from 19 design teams. Following initial evaluation of the submissions, six firms and/or joint ventures were invited to participate in a design competition.

According to GSA officials, a national evaluation board of professional architects and engineers from GSA offices in Washington, D.C.; New York City; and Kansas City, Missouri; as well as a representative from SSA was assembled to determine

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[1]The Public Buildings Act 40 U.S.C. 606(a) requires the approval of these committees by resolutions if the construction of a public building exceeds $1,500,000 in cost.

which design best fulfilled the building's intended purpose. In March 1981, a joint venture incorporating Gruzen and Partners, the Ehrenkrantz Group, and Syska and Hennessy, Inc., was selected. The board members unanimously agreed that the Gruzen proposal best met SSA's program needs with appropriate building configuration and site utilization designs. The board also concluded that Gruzen's engineering analyses provided an appropriate foundation system and an innovative structural approach.

GSA'S SELECTION OF THE GENERAL CONTRACTOR

GSA solicited construction bids in March 1983 after the design of the building was completed. Eight companies and joint ventures submitted bids. A list of the eight bidders and their bids is provided in table I.1.

Table I.1:
CONSTRUCTION BIDS

Companies/joint ventures	Base bids plus alternatives
1. Terminal Construction Corp.	$60,445,000
2. Howell/Seacrest/Posillico	$62,959,000
3. George Hyman Construction Co.	$65,019,000
4. John B. Pike & Son, Inc.	$65,873,000
5. P.J. Carlin Construction Co.	$66,665,000
6. Mars Associates, Inc.	$68,000,000
7. William L. Crow Construction Co.	$68,412,000
8. NAB/Slattery	$70,822,000

In accordance with the Federal Acquisition Regulation and established GSA policies and procedures, Terminal was determined to be the lowest and technically the most responsive bidder and was awarded the contract on September 22, 1983. The George Hyman Construction Company protested the award, alleging that two of Terminal's subcontractors could not do the work and would not be awarded subcontracts by Terminal. Hyman also alleged that the second low bidder, a joint venture, failed to properly sign its bid form. The GSA Chief, D&C Contracts Branch, Real Property Contracts Division, denied the protest saying that the preaward survey determined that Terminal's proposed subcontractors were responsible firms fully capable of performing the work required by the contract and that Terminal fully intended to award the subcontracts to the firms listed in its bid. Terminal received its notice to proceed with the contract on October 17, 1983.

PROBLEMS AND CURRENT STATUS

A number of problems occurred after the construction contract was awarded which have delayed completion of the project. The building was originally scheduled to be completed in August 1986. A major delay was caused by a dispute between the New York City Transit Authority and GSA over the need to shore up and brace the project site to prevent shifting and interference with the adjacent Archer Avenue subway site. The Transit Authority threatened to get an injunction calling for all work to stop until the issue could be resolved. Because GSA officials feared that if all work on the project stopped, it might never get started again, they agreed to the Transit Authority's demands and stopped work on the structure in April 1984 until the shoring and bracing of the foundation could be completed. This caused a delay of 299 days in the project.

According to GSA officials, a further delay stemmed from both the unavailability of bricklayers and problems with the bricks to be made for the Addabbo Building. Until the bricks were in place, some of the other construction work could not be done. Because of the 299-day delay, the brickwork schedule was revised to begin in January 1986 and be completed by June 1986. However, acceptable bricks were not delivered to the site until February 1986, and the brickwork did not actually begin until May 1986. Also, according to GSA officials, more delays resulted from shortages in skilled workers. Inducements, such as overtime and travel pay, were used to get certain of the existing skilled workers to work longer workdays and on Saturdays to make up for the shortages.

Although GSA stopped authorizing overtime on September 3, 1988, we were advised recently by GSA officials that in order to get the building completed, they may again begin authorizing overtime pay to certain trades.

According to GSA officials, as of September 15, 1988, GSA has obligated $92,213,293 for the project. The agency has requested from Congress that the current $92,765,000 project authorization be increased 10 percent to $102,041,500. The request is to cover pending claims for design changes that affected completion of the work. According to a GSA official, the general contractor has estimated that the total impact of the design changes and delays exceeds $23 million. GSA officials advised us that they expect to negotiate this amount with the contractor. In addition the agency has estimated a need for an additional $8,900,000 for certain interior work that will be reimbursed by SSA.

GSA ACTIONS TO ENSURE COMPLETION

In March 1987, the Subcommittee on Water Resources, Transportation and Infrastructure, Senate Committee on Environment and Public Works, held a field hearing to determine why the Addabbo Building was experiencing problems and delays.

At the hearing, GSA officials said they planned to ensure timely completion by having the central office assume a more active role in the project. Subsequently, the GSA Administrator and senior GSA headquarters construction officials made regularly scheduled visits to the site. In addition, the GSA regional office increased its construction site staff and additional Gruzen architect-engineer staff were added to monitor the project. GSA officials said they would expedite payments to the general contractor so that subcontractors would not stop working because of not being paid promptly for completed work. Also, overtime and travel pay were authorized for certain skilled trades. GSA also established a Central Office/National Capital Region oversight team and a biweekly reporting system and appointed a full-time project manager.

At the hearing, GSA estimated that (1) Terminal should complete its work by January 30, 1988; (2) a separate contractor would complete the inside work 90 days after Terminal completed its contract; and (3) SSA would begin occupying the building at that time. At the same hearing, Terminal projected a completion date of October 10, 1988.

On September 27, 1988, GSA officials said the contractor expects the building to be substantially completed by November 25, 1988, with SSA to move in after the first of the year. GSA added that the contractor said the November 25 date was contingent upon further overtime being authorized; otherwise, completion would not occur before February or March 1989.

STATUS OF INVESTIGATIONS

There have been criminal and civil investigations involving this project. The criminal investigation, conducted jointly by the FBI and GSA, alleged that Terminal and its subcontractors submitted fraudulent claims to GSA for the costs associated with bracing and shoring up the foundations. The Department of Justice declined prosecution, finding no evidence of criminal intent to defraud.

According to GSA officials, there is an ongoing civil investigation on the potential liability of the Transit Authority

APPENDIX I

for the costs of bracing and shoring up the building site. An Assistant U.S. Attorney for the Eastern District of New York said that the matter was still pending as of September 30, 1988. If the Department of Justice declines to pursue the matter against the Transit Authority, a GSA official told us that GSA would establish a board of inquiry for the purpose of determining whether the architect-engineer bears any liability for design deficiencies.

APPENDIX II

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